Loan Guarantee Fund

†*34. SHRI SWARAJ KAUSHAL: Will the Minister of FINANCE be pleased to state:

(a) Whether Government propose to introduce loan guarantee scheme with a view to find the solution of the problem of small scale industries with regard to deposit of surety for loans;

(b) if so, the details thereof;

(c) whether there is a proposal for creating loan guarantee fund for this purpose;

(d) if so, the details thereof; and

(e) by when the said scheme is likely to be introduced?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) to (e) As announced in the Budget Speech of Finance Minister for the financial year 2000-2001, a Credit Guarantee Scheme for Small Scale Industries (SSI) has been launched under the aegis of Ministry of SSI and ARI in collaboration with Small Industries Development Bank of India (SIDBI). The Scheme will be implemented by SIDBI. Main features of the Scheme *inter-alia* include the following:

Credit Guarantee Fund for Small Industries (CGFSI) will be implemented by a Trust to be set up and serviced by SIDBI and managed professionally.

The scheme will cover loans upto Rs. 10 lakhs from the Banking Sector to Tiny/SSI Sector and shall come into operation from September 1, 2000.

Under the scheme 75% of principal amount of the Credit facility would be guaranteed to the lender subject to a guarantee cap of Rs. 7.5 lakhs per borrower.

Lender will pay guarantee fee of 2.5% of the loan upfront and an annual service fee of 1% of the loan outstanding at the end of each year.

The scheme will be confined to guarantee of loans extended by commercial banks and a few selected well performing Regional Rural Banks.

†Original notice of the question was received in Hindi.

Loans upto Rs. 10 lakhs (term loan as well as working.capital) extended by the banks to the manufacturing units including IT and software Industries, to new, as well as, existing manufacturing SSI Units will be covered by the CGFSI.

There will be a locking period of 24 months from the date of disbursement of the loan to the borrower prior to lender prefering any claim on the fund.

Conference on Tax Reforms

*35. SHRI P. PRABHAKAR REDDY: Will the Minister of FINANCE be pleased to state:

(a) whether a conference of State Chief Ministers and Finance Ministers was held in Delhi during the third week of June, 2000 on "Domestic trade tax reforms and value added tax (VAT)";

(b) if so, the major decisions taken in conference;

(c) whether it is also a fact that all the state Governments were asked to implement national uniform floor rates of sales tax by the 10th July, 2000, positively;

(d) if so, the names of the States which have since complied with this decision; and

(e) the action proposed to be taken against errant States, if any?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI V. DHANANJAY KUMAR): (a) Yes, Sir.

(b) The following major decisions were taken in the Conference.

(i) It was decided that there should be 100% compliance by all the states and Union Territories on implementation of Uniform Floor Rates.

(ii) The existing floor rates in respect of all the listed commodities including automobiles and IT items should not be altered.

(iii) There has to be 100% compliance with respect to sales tax related incentives, except for North-Eastern and Special Category States.

(iv) If there is non-compliance with respect to floor rates and sales tax related incentive schemes, witholding of 25% of central plan assistance for the concerned States and Union Territories will be immediately effective.